

EXHIBIT 7

Second Deposition of

Andrew Zimbalist Excerpts

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

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CUNG LE, NATHAN QUARRY, JOHN FITCH,
BRANDON VERA, LUIS JAVIER VAZQUEZ,
and KYLE KINGSBURY, on behalf of
themselves and all others similarly
situated,

Plaintiffs,

Case No.

-against- 2:15-cv-01045-RFB(PAL)

ZUFFA, LLC, d/b/a ULTIMATE FIGHTING
CHAMPIONSHIP and UFC,

Defendants.

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H I G H L Y C O N F I D E N T I A L

Videotaped oral deposition of
ANDREW ZIMBALIST, Ph.D., taken pursuant
to notice, was held at the law offices
of Cohen Millstein, 88 Pine Street, New
York, New York, commencing January 26,
2018, 10:13 a.m., on the above date,
before Leslie Fagin, a Court Reporter
and Notary Public in the State of New
York.

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MAGNA LEGAL SERVICES
320 West 37th Street, 12th Floor
New York, New York 10018
(866) 624-6221

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<p>1 A. Zimbalist - Confidential</p> <p>2 subgroup of sellers. I would look at when</p> <p>3 they change the price up or down, depending,</p> <p>4 we are talking the input or output market,</p> <p>5 what happened to the profitability of the</p> <p>6 company. In order to do that, I don't have</p> <p>7 to say that John and Mary and Susan and Peter</p> <p>8 are the consumers I'm concerned with. I'm</p> <p>9 looking at the company and the company's</p> <p>10 record, the company's performance.</p> <p>11 Q. Why is it relevant that Professor</p> <p>12 Blair didn't analyze the substitutability of</p> <p>13 fighters?</p> <p>14 A. Because Professor Blair is now at</p> <p>15 the second level, which is he is defining the</p> <p>16 concentration in the market. He is doing</p> <p>17 that using bouts instead of using revenue,</p> <p>18 but he hasn't defined who he is looking at or</p> <p>19 what he is looking at before he does either</p> <p>20 of those tests.</p> <p>21 Q. So let's talk about market share.</p> <p>22 Let's go back to our widgets in a regular</p> <p>23 normal market downstream market.</p> <p>24 Is it appropriate for me to define</p> <p>25 market shares based on the input purchases</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 Q. Yes.</p> <p>3 A. I would define concentration ratio</p> <p>4 in terms of the percent of widget sales, not</p> <p>5 the percent of concentration of input</p> <p>6 purchases.</p> <p>7 If you are using input purchases,</p> <p>8 one of the distortions you would have is that</p> <p>9 those firms that were least efficient and may</p> <p>10 have bought much larger quantities of inputs</p> <p>11 would have more economic power in the output</p> <p>12 market. That wouldn't make any sense to me.</p> <p>13 Q. Turning to paragraph 3 of your</p> <p>14 report. You quote a section in the merger</p> <p>15 guidelines that talks about the appropriate</p> <p>16 use for shares or the appropriate metric for</p> <p>17 shares. And that quote, In most contexts,</p> <p>18 the agencies measure each firm's market share</p> <p>19 based on its actual or projected revenues, is</p> <p>20 that correct?</p> <p>21 A. Yes.</p> <p>22 Q. That is talking about a downstream</p> <p>23 market. We are not talking about an input</p> <p>24 market, is that right?</p> <p>25 A. You are talking about a product</p>
<p>1 A. Zimbalist - Confidential</p> <p>2 that manufacturers make?</p> <p>3 MR. CRAMER: Objection to form,</p> <p>4 incomplete hypothetical.</p> <p>5 A. We're interested in describing the</p> <p>6 concentration ratio or the concentration</p> <p>7 characteristics of the widgets market, yes.</p> <p>8 Is that what you said?</p> <p>9 Q. Yes.</p> <p>10 A. You want to know if it's</p> <p>11 appropriate for you to look at what?</p> <p>12 Q. At the purchases made by</p> <p>13 competitors in that market of inputs.</p> <p>14 A. I'm confused by your question. We</p> <p>15 want to define concentration in the product</p> <p>16 market, so, first of all, you are postulating</p> <p>17 that there are competitors. So that's</p> <p>18 already been established.</p> <p>19 Q. That's right.</p> <p>20 A. And you want to know whether we are</p> <p>21 going to define -- it's okay to define</p> <p>22 concentration in the widget product market by</p> <p>23 looking at the percent of input purchases by</p> <p>24 the various firms that we've decided are in</p> <p>25 this market.</p>	<p>1 A. Zimbalist - Confidential</p> <p>2 market, not an input market, yes.</p> <p>3 Q. When you are defining an input</p> <p>4 market, do you look at the downstream</p> <p>5 revenues or do you look at the upstream</p> <p>6 purchases?</p> <p>7 A. Well, it depends on what input</p> <p>8 market you are looking at.</p> <p>9 Q. Why does it matter which input</p> <p>10 market you are looking at?</p> <p>11 A. You would look at the percent of</p> <p>12 control by one firm or by -- if you are using</p> <p>13 multiple firms you are looking at</p> <p>14 concentration ratios, you would look at the</p> <p>15 percent of the inputs that they had</p> <p>16 purchased.</p> <p>17 Q. You wouldn't look at downstream</p> <p>18 revenues?</p> <p>19 A. You would look at concentration in</p> <p>20 the input market.</p> <p>21 Q. So why is your critique that</p> <p>22 Professor Blair didn't look -- why are you</p> <p>23 critiquing Professor Blair by saying he</p> <p>24 should have looked at downstream event</p> <p>25 revenues?</p>

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<p>1 A. Zimbalist - Confidential 2 A. Because he is looking at the output 3 market when he looks at the shares of bouts 4 that different producers put on. 5 Q. Is he? 6 A. I think so. 7 Q. Why isn't he looking at basically 8 just the number of fights that were purchased 9 by the promoter? 10 A. Bouts are output, that's what is 11 being sold to the public. 12 Q. But that's also what's being 13 purchased from the fighters, isn't it?</p> <p>14 A. Well, if you wanted to look at the 15 concentration of purchase of the input, then 16 you would be defining it in terms of the 17 number of fighters and I think you would also 18 be looking at a weighting of the fighters 19 according to their compensation.</p> <p>20 There are some fighters would be 21 more important than others, but if firm A was 22 hiring all of the best fighters and they pay 23 each of those fighters a million dollars a 24 bout and firm B was hiring many, many, many 25 more fighters, but they paid each of them \$10</p>	<p>1 A. Zimbalist - Confidential 2 A. I think that the data on 3 compensation for the fighters is available. 4 Q. I understand what you think I'm 5 asking -- 6 A. I'm critiquing Dr. Blair's 7 definition in a particular case, you are 8 posing a hypothetical case that doesn't 9 pertain to what Dr. Blair did, is that 10 correct. 11 Q. I understand that, but I'm just 12 asking in that world, would it be appropriate 13 to try to calculate share through some other 14 metric if you don't have adequate 15 compensation data?</p> <p>16 MR. CRAMER: Objection, incomplete 17 hypothetical and calls for a legal 18 conclusion.</p> <p>19 A. I would have to pass on that 20 question because I would need to know what 21 data is available and then, once I knew that, 22 I would have to think about it for a while. 23 It's not a question that has the necessary or 24 a single answer. It depends on what data is 25 available. It depends upon other factors and</p>
<p>Page 43</p> <p>1 A. Zimbalist - Confidential 2 a bought, then I think, once again, you would 3 need to have -- first you would be looking at 4 number of fighters rather than number of 5 bouts because you could be using, after all, 6 the same fighters to be in every bout, so you 7 want to look at the input, which is the 8 fighter, not the bout, which is the output. 9 And then, secondly, you would want 10 to weight it according to the importance of 11 the fighters and that would be the payment to 12 those inputs.</p> <p>13 Q. Now, let's imagine you are in a 14 world where you don't have any of that data. 15 Is there an acceptable way to 16 measure share?</p> <p>17 MR. CRAMER: Objection to form, 18 incomplete hypothetical.</p> <p>19 A. You don't have any of what data. 20 Q. Let's say you don't have all of the 21 compensation data for all of the different 22 fighters that were in the market. 23 In that world, is there an 24 appropriate way to measure market share? 25 MR. CRAMER: Objection to form.</p>	<p>Page 45</p> <p>1 A. Zimbalist - Confidential 2 characteristics of the market. 3 Q. Let me add one thing to the 4 hypothetical that I gave you. Let's assume 5 the only data you have is downstream event 6 revenue. 7 Would it be appropriate in that 8 world to measure market share using 9 downstream event revenue?</p> <p>10 A. I would want to think about that. 11 I haven't thought about that for this case. 12 Q. What is a Professional Fighters 13 Association?</p> <p>14 A. I've seen references to it, but I 15 am not sure.</p> <p>16 Q. Do you have any affiliation with 17 the Professional Fighters Association?</p> <p>18 A. Not that I know of. 19 (Exhibit 10, printout of the web 20 page for the Professional Fighters 21 Association, marked for identification.) 22 Q. I'm handing you what is marked 23 Exhibit 10, which is a printout of the web 24 page for the Professional Fighters 25 Association.</p>

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<p>1 A. Zimbalist - Confidential 2 same, but the revenue grows and if that were 3 true, I would have to think about it, then I 4 might come to that conclusion. I might, but 5 if you look at the professional sports 6 leagues, it's not the case that as the 7 leagues grow, that the inputs stay the same 8 and, in fact, for instance, one of the major 9 reasons why the revenue grows is because the 10 inputs grow. 11 So we've had since 1992, in 12 professional sports, a stadium revolution, 13 stadiums used to cost a \$100 million, \$150 14 million. Now, stadiums are getting built for 15 a billion, 2 billion, \$2-1/2 billion. 16 Stan Conte is building one in 17 Englewood, California right now that costs 18 \$3-1/2 billion. 19 If it were the case that the Los 20 Angeles Rams were still playing in the 21 coliseum and the coliseum hadn't been 22 renovated and somehow, magically, they were 23 still generating the revenue that they will 24 generate in Englewood, then your proposition 25 may make some sense to me, but I haven't</p>	<p>Page 122</p> <p>1 A. Zimbalist - Confidential 2 A. In my rebuttal report? 3 Q. You discuss a number of inputs that 4 can effect event revenue, other than simply 5 athlete -- 6 A. I do, yes. 7 Q. What are those inputs? 8 A. So which sport are you talking 9 about? 10 Q. Do they vary between sports? 11 A. Somewhat. 12 Q. Let's start with Major League 13 Baseball. 14 A. What other inputs are there besides 15 the athlete? 16 Q. Yes. 17 A. Let's start by acknowledging that 18 the athletes are the major input, that they 19 are the product. I think it's an important 20 thing to understand, which is to say if you 21 go to a game at Madison Square Garden, you 22 want to see Porzingis play or one of the 23 other people on the Knicks play or maybe 24 Golden State is visiting and you want to see 25 that wonderful team, you are going to do</p>
<p>Page 123</p> <p>1 A. Zimbalist - Confidential 2 studied that explicitly and I would want to 3 consider it more. 4 Q. If taxpayers pay for a stadium, do 5 input costs change? 6 A. Often they do. For instance, even 7 though the Yankees paid for Yankee Stadium, 8 they spent close to a \$100 million a year 9 operating it, but what we find, since you 10 raised it, what we find over the last 20 11 years, roughly, is that the public share of 12 stadium construction cost is on the order of 13 60 percent and the private share is on the 14 order of 40 percent. That varies a great 15 deal by team and by city and by league. 16 Q. You identify a number of inputs 17 that can effect event revenue, is that an 18 accurate statement? 19 MR. CRAMER: Objection to form. 20 A. Did you assert that I identify a 21 number of inputs? 22 Q. Yes. 23 A. So you are saying that in my 24 answer, I have identified? 25 Q. In your rebuttal --</p>	<p>Page 125</p> <p>1 A. Zimbalist - Confidential 2 that, so your demand for the game, for going 3 to the game, for spending some ridiculous 4 amount on your tickets has to do with you are 5 consuming the players themselves, the 6 athletes, whereas, when you buy a pair of 7 shoes, you are buying the product of a lot of 8 anonymous workers' output, so there is a 9 major difference there. 10 So one of the things is that the 11 athletes are the first and major source of 12 revenue. Beyond that, the facility, the 13 venue contributes to producing revenue. The 14 media is another input, contributes to -- 15 MR. CRAMER: Just so it's clear, 16 you are answering questions about 17 baseball now. 18 THE WITNESS: I think this is the 19 starting point. 20 MR. CRAMER: Good. 21 A. Memorabilia sold produces revenue 22 for the teams, signage and advertising 23 produces, corporate sponsorship produces, 24 concessions produces revenue for the team and 25 then there are some auxiliary activities that</p>

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<p>1 A. Zimbalist - Confidential 2 baseball engages in that produce revenue for 3 the team such as MLBAM, which is the internet 4 wing of baseball and has generated a 5 significant amount of revenue for the league, 6 so those, I would say, are the major revenue 7 generating inputs.</p> <p>8 Q. Can you determine what the 9 relationship between those inputs are and the 10 revenue they generate by an event?</p> <p>11 MR. CRAMER: Objection to form.</p> <p>12 A. The relationship between the 13 inputs, I can describe it to you.</p> <p>14 Q. But can you quantify it?</p> <p>15 A. Can I quantify the relationship?</p> <p>16 MR. CRAMER: Objection to form.</p> <p>17 A. Between the inputs?</p> <p>18 Q. And the revenue they generate.</p> <p>19 MR. CRAMER: Misstates the 20 testimony, foundation, form.</p> <p>21 A. In theory, one could imagine taking 22 a baseball team that plays in on old stadium 23 in year 1 and moves to a new stadium in year 24 2, where the personnel on the team stay 25 pretty constant and, in that case, you could</p>	<p>1 A. Zimbalist - Confidential 2 tried to determine the contribution of 3 those inputs respectively to revenues 4 generated by those inputs?</p> <p>5 MR. WIDNELL: No, I'm asking if he 6 made any effort to quantify the 7 different contributions of inputs to 8 National Football League event revenue.</p> <p>9 MR. CRAMER: Objection to form.</p> <p>10 A. Again, you are referring to the two 11 reports I have written in this case?</p> <p>12 Q. Yes.</p> <p>13 A. The answer is no.</p> <p>14 Q. And for the other sports in your 15 comparisons, have you made any effort to 16 identify the contribution of inputs to event 17 revenue?</p> <p>18 MR. CRAMER: Objection to form.</p> <p>19 A. Quantify?</p> <p>20 Q. Quantify.</p> <p>21 A. Again, you are referring to the two 22 reports I have written in this case?</p> <p>23 Q. Yes.</p> <p>24 A. No.</p> <p>25 Q. Have you made any effort to assess</p>
<p>1 A. Zimbalist - Confidential 2 attribute most of the change in revenue to 3 the new venue, so, in theory, you could 4 imagine doing something like that.</p> <p>5 There might be other inputs, maybe 6 the managers and coaches change. That would 7 be different. Maybe the athletes are more 8 healthy in year 1 than year 2 or, vice-versa, 9 so you wouldn't get a perfectly clean 10 measurement.</p> <p>11 Q. Have you made any effort to 12 quantify the various contributions that 13 different inputs in Major League Baseball 14 make to event revenue?</p> <p>15 A. In my reports in this case?</p> <p>16 Q. Yes.</p> <p>17 A. No.</p> <p>18 Q. Have you made any effort to 19 quantify the different contributions that the 20 inputs in the National Football League or the 21 different inputs contribute to revenue in the 22 National Football League?</p> <p>23 MR. CRAMER: Let me object.</p> <p>24 To clarify, you are asking whether 25 he went input by input for any sport and</p>	<p>1 A. Zimbalist - Confidential 2 the magnitude of the contribution of inputs 3 into event revenue for any of the sports you 4 compare in these two reports?</p> <p>5 MR. CRAMER: Objection to form.</p> <p>6 A. Yes.</p> <p>7 Q. What have you done?</p> <p>8 A. Well, I have explained that the 9 ratio of combined MRP to revenue in UFC is 10 what I would expect to be at least as high, 11 either equal to or higher than the other 12 sports and I suggest that one of the major 13 factors that undergirds that expectation or 14 supports that expectation is that Major 15 League team sports that I'm considering in my 16 reports play in facilities that either cost 17 hundreds of millions or billions of dollars 18 and the team owners contribute, on average, 19 around 40 percent to and that they also spend 20 an enormous amount of money, tens of millions 21 of dollars, sometimes over a \$100 million to 22 operate those facilities.</p> <p>23 If I remember correctly, the UFC 24 reports or the Zuffa financial reports that I 25 read, at least for some of the years, had</p>